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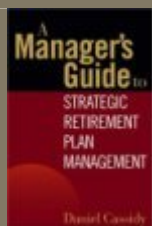
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CRG and AIM Announce Results of Recent Pension Relief Survey

The decline in financial markets, coupled with the current funding requirements of the Pension Protection Act of 2006 (PPA), has resulted in a pension plan funding crisis where soaring pension contributions threaten the existence of a growing number of companies. Results from a recent survey by Associated Industries of Massachusetts (AIM), in conjunction with Cassidy Retirement Group, echo this concern. Several respondents feel more pension funding relief is necessary and, without it, some even fear bankruptcy may result. While not as dire, many respondents predicted their pension plan will be closed, frozen or terminated within the next 12 to 24 months. To read more, please click [here](#).

Recent Presentation

Tom Sablak moderated a session titled "Managing Longevity Risk" at the Society of Actuaries Annual Meeting and Exhibit 2009 in Boston, MA on October 27th. Panelists for this session were Eugene Dimitriou from the Royal Bank of Scotland and Johnny Li from the University of Waterloo, who covered topics such as stochastic modeling of longevity and recent developments in mitigating longevity risk.

CRG Retirement Plan Update - DB and DC Plans

Recent Guidance

- **September 24 (DC):** The IRS released Notice 2009-82 which provides guidance on the implementation of the waiver of required minimum distributions (RMDs) for defined contribution plans and IRAs during 2009, as permitted by the Worker, Retiree, and Employer Recovery Act of 2008. The notice contains two sample plan amendments, transition relief for certain actions taken (or not taken) between January 1, 2009 and November 30, 2009, and a Q&A section on 2009 RMD waivers.
- **September 25 (DB):** In a special edition of its *Employee Plans News*, the IRS (1) announced that final regulations under IRC §430 (funding rules) and IRC §436 (benefit restrictions and AFTAP certifications) will be released soon and (2) provided much-needed interim guidance on interest rate selection for the 2009 plan year. Specifically, the IRS will provide automatic approval for interest rate elections made for the 2010 plan year "regardless of what [interest rate] choices were made for earlier

plan years." This means that plan sponsors can take full advantage of a form of funding relief granted on March 31, 2009 for 2009 plan years: sponsors can use the full yield curve reflecting spot rates for the month of October 2008 for discounting future benefit payments for 2009 plan year valuations (i.e., utilize a "look-back" option when selecting the yield curve) and then switch-back to another discount rate basis for 2010 valuations with automatic approval. The IRS also indicated that the use of the "full yield curve with a look-back month" will not be permitted for 2010 plan year valuations; therefore, for sponsors electing a yield curve for 2010, there will be only one choice for the applicable yield curve.

- **October 8 (DB):** The IRS and Treasury released final regulations regarding (1) the measurement of assets and liabilities and (2) the application of benefit restrictions for single-employer defined benefit plans. (Note that these rules also apply to multiple employer plans.) At a very high level, the final regulations are effective October 15, 2009, would first apply to the 2010 plan year (but could be relied upon for the 2008 and 2009 plan years), and finalize the regulations put forth in 2007 with a few important changes. While the regulations are extensive (over 300 pages), the following summarizes the key headlines coming from the guidance:
 - Confirmation of automatic approval for interest rate changes - As summarized in the posting for September 25, (1) automatic approval will be granted for interest rate elections made for the 2010 plan year, (2) a plan may therefore elect the full yield curve for 2009 and then "switch-back" to 24-month average segment rates for 2010 with automatic approval, (3) a plan may also switch from 24-month average segment rates to the full yield curve with automatic approval in a subsequent year, and (4) the "look-back" option for yield curve elections will not be available starting in 2010.
 - Automatic approval for asset method changes - The regulations allow for automatic approval for a change in the asset valuation method to a permitted method (i.e., either fair market value or the value derived from the method outlined in Notice 2009-22) for the 2010 plan year.
 - Complex rules surrounding "funding balance" elections - The regulations provide much-needed guidance, and in some cases good news, surrounding the creation and use of funding balances arising from contributions exceeding minimum required levels, including (1) a revision to the method of computing an "excess contribution", (2) the ability to make so-called "standing elections," such as one-time elections to use funding balances in the amount necessary to satisfy minimum contribution requirements and one-time elections to add the maximum amount available to the "prefunding balance" each year, and (3) the right to revoke elections to use funding balances to offset minimum contribution requirements in cases where the elected amounts exceed the required amounts.
 - Final rules surrounding funding-based benefit restrictions - While

the final regulations generally adopt most of the provisions contained in the proposed rules, several administrative issues are addressed in the final rules, such as: (1) clarification of the types of "accelerated distributions" (e.g., lump sums) subject to funding-based restrictions, (2) confirmation that subsequent optional form elections may be permitted once restrictions lapse, and (3) guidance related to content on participant benefit election forms when restrictions are in effect.

- Guidance on several key "open issues" is expected in the future: (1) rules surrounding quarterly contribution requirements, (2) rules for cash balance and other hybrid plan designs, and (3) certain provisions introduced in the Worker, Retiree, and Employer Recovery Act of 2008, such as "plan-related expenses" and details on asset averaging.
- **October 15 (DB/DC):** The 2010 IRS limitations for qualified retirement plan benefits were released. All limitations that typically get a Section 415(d) cost-of-living adjustment remain unchanged for 2010. Recapping some of the popular limitations:
 - The 2010 Section 402(g)(1) limit on elective deferrals in 401(k), 403(b), and 457 plans remains unchanged at \$16,500.
 - The 2010 compensation limit under Section 401(a)(17) remains unchanged at \$245,000.
 - The 2010 Section 415 limit on the annual benefit from a defined benefit plan remains unchanged at \$195,000.
 - The 2010 Section 415 limit on annual additions to a defined contribution plan remains unchanged at \$49,000.
 - The 2010 Section 414(v)(2)(B)(i) dollar limitation on "catch-up" contribution to 401(k) and 403(b) plans for individuals age 50 and older remains unchanged at \$5,500.
- **October 16 (DB):** The PBGC announced that the flat-rate ("per-participant") premium will be \$35.00 for single-employer plans for 2010 (up from \$34.00 per participant for 2009).

For a list of past guidance, please click [here](#).

Looking Ahead

- **December 1 (DC):** The special notice (to participants) of intent to use a safe-harbor formula for calendar year 2010 plans is due.
- **December 15 (DC):** Due date for the Summary Annual Report (SAR) for plan year 2008 (for calendar-year plans that were granted an extension of time to file the Form 5500).

Market Summary - Total Returns Through October 27, 2009

Year-to-date and one-year returns for key market indexes are summarized below:

	Dow Jones Industrial Average	Standard & Poor's 500 Index	Russell 2000 Index	MSCI EAFE International Equity Index	Barclays Capital Aggregate Index
Year-to-date	12.6%	17.9%	17.5%	26.2%	5.9%
Last 12 Months	17.7%	13.1%	21.6%	40.7%	12.6%

Source: The Wall Street Journal

Investment Review

The S&P 500 Index is up 63% since March 9th; however, many people are still on the sidelines with cash wondering whether it's safe to get back into the stock market. The US economy and investment market face huge uncertainties as investors question the impact of government deficit spending, increased debt levels and the value of the US dollar. The attached [3rd Quarter Market Review](#) won't answer these issues, but it may highlight a few insights to follow as events unfold.

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Defined Benefit Plans - Liability Returns

The return on assets in a pension trust is clearly a key driver of the funded status of a pension plan. However, pension liability values can also fluctuate significantly with changes in market interest rates. In essence, pension liabilities carry their own market returns. Plan sponsors should therefore focus on the net impact of changes in assets and liabilities on a plan's funded status. The following table provides the estimated return on pension plan liabilities as of September 30, 2009 as calculated by Ryan Labs, Inc. (used with permission):

	Ryan Labs, Inc. PPA Liability Index (Funding)	Ryan Labs, Inc. FAS 158 Liability Index (Accounting)
Qtr ending 9/30/2009	11.5%	7.0%
Year-to-Date	16.1%	12.4%
Last 12 Months	38.2%	37.2%

Source: Ryan Labs, Inc.

Ryan Labs, Inc. Asset Management specializes in managing custom fixed income portfolios for pension plans and institutional clients. For more information on Ryan Labs, please visit <http://www.ryanlabs.com>, or call 800-321-2301.

Defined Benefit Plans - Key Interest Rates

- **IRC §430 Corporate Bond Yield Curve (DB Funding):** For a graph showing the year-to-date and 12-month change in the yield curve as of September 2009, please click [here](#). (Note that, in light of the IRS/Treasury guidance released on March 31, 2009, we have included the October 2008 spot rates on this graph.)
- **IRC §417(e)(3) Lump Sum Rates (DB Plans):** For a graph showing the year-to-date and 12-month change in lump sum interest rates as of September 2009, including rates for the 2010 plan year, please click [here](#).

Resources

For more information on Cassidy Retirement Group, please visit www.cassidyretirement.com.